

## Message Text

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44

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-03 H-02 L-03 PA-01 PRS-01 /096 W

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R 041518Z JUN 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1378

INFO AMEMBASSY BERN

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONGEN MILAN

AMCONGEN NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR FIRST HALF MAY  
REGISTERED SURPLUS OF \$38.4 MILLION. 1975 BALANCE OF  
PAYMENTS THROUGH FIRST FOUR AND ONE-HALF MONTHS SHOWED  
\$179.9 MILLION CUMULATIVE DEFICIT. FOR SAME PERIOD

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ADJUSTED BALANCE OF PAYMENTS RECORDED CUMULATIVE SURPLUS

OF \$240.1 MILLION. NET MARKET INTERVENTION DURING MAY WAS APPROXIMATELY PLUS \$50 MILLION. REPAYMENT OF \$70 MILLION ON 1973 IMI EUROMARKET BORROWING MAJOR EXTRAORDINARY TRANSACTION DURING MAY. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR MAY 1 THROUGH MAY 15 RECORDED SURPLUS OF \$38.4 MILLION. CHANGES IN RESERVES DURING PERIOD WERE DECREASE IN BOI CONVERTIBLE CURRENCY HOLDINGS OF \$88.6 MILLION, DECREASE IN COMMERCIAL BANKS' NET FOREIGN LIABILITIES BY \$152.9 MILLION, INCREASE IN BOI SHORT-TERM LIABILITIES BY \$20.7 MILLION, INCREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES BY \$5.8 MILLION, AND INCREASE IN BOI'S SDR HOLDINGS BY \$0.6 MILLION. INTEREST PAID ON ITALY'S FOREIGN DEBT IN FIRST HALF MAY TOTALLED \$30.3 MILLION. DURING FIRST HALF MAY IMI MADE \$70.0 MILLION REPAYMENT ON 1973 EUROMARKET LOAN. NO COMPENSATORY LOAN REPAYMENTS WERE MADE IN LAST HALF OF MAY.

3. EXCHANGE MARKET INTERVENTION DURING FIRST HALF MAY RESULTED IN NET GAIN OF \$56.0 MILLION. ERCOLANI, HEAD OF BOI FOREIGN EXCHANGE OPERATIONS, SAID THAT FOR ALL OF MAY NET MARKET INTERVENTION WAS APPROXIMATELY PLUS \$50.0 MILLION. ON JUNE 3, FIRST DAY EXCHANGE MARKET OPEN IN ITALY IN JUNE, ERCOLANI DESCRIBED INTERVENTION AS VERY LIGHT. GIVEN POSSIBILITY OF EXCHANGE MARKET PRESSURES FOLLOWING BOI GOVERNOR CARLI'S RESIGNATION TENDER MADE PUBLIC BY CARLI AT BOI ANNUAL MEETING ON MAY 31, ERCOLANI SAW JUNE 3 TRANQUILITY AS HIGHLY FAVORABLE SIGN.

4. BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST FOUR AND ONE-HALF MONTHS OF 1975 OF \$179.9 MILLION WAS FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS OF \$130.1 MILLION, DECREASE IN SDR HOLDINGS OF \$18.4 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES OF \$4.5 MILLION, DECREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES OF \$102.5 MILLION, AND INCREASE IN NET SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$138.4 MILLION.

5. ON JUNE 3, FOLLOWING FINANCIAL RATES PREVAILED:  
LIRA EXCHANGE RATE WAS 622.725 LIRE PER DOLLAR, THREE-  
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MONTH FORWARD RATE WAS 629.725 LIRE PER DOLLAR, WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 20.65 PERCENT COMPARED TO FEBRUARY 9, 1973 BASE PERIOD, BLACK MARKET RATE IN MILAN WAS 633 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 10 5/8 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 9.3125 PERCENT AND LIRA INTERBANK THREE-MONTH RATE WAS 9.9375 PERCENT. VOLPE

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